

No. 22037

In the
United States Court of Appeal
For the Ninth Circuit

PURER & COMPANY and PHILLIP
PURER,

Appellants,

vs.

AKTIEBOLAGET ADDO and ADDO
MACHINE COMPANY, INC.,

Appellees.

APPELLANTS' REPLY BRIEF

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<hr/> <div style="display: flex; justify-content: space-between;"><div><div>PURER & COMPANY and PHILLIP PURER,</div><div style="text-align: center;">vs.</div><div>AKTIEBOLAGET ADDO and ADDO MACHINE COMPANY, INC.,</div></div><div style="text-align: right;"><div><i>Appellants,</i></div><div><i>Appellees.</i></div></div></div> <hr/>	}	No. 22037
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APPELLANTS' REPLY BRIEF

Appellants in their opening brief have carefully detailed the errors resulting in an adverse judgment and which requires a reversal. Strangely respondents have declined to discuss these specific charges of error but instead have adopted the position that the judgment is correct because the trial court ruled that way. As respondents state (Resp. Br. p. 54) :

“In this case the trail court heard the testimony of the witnesses and stated specifically that it believed the testimony of one particular witness to conversations with appellant Mr. Purer [Rep. Tr. p. 458]. Having had the opportunity of observ-

ing the demeanor of the witnesses and of hearing their testimony, the judgment of the trial court should not be set aside.”

The fact still remains that appellants’ specifications of errors (Op. Br. pp. 25-30) are ignored by respondent and it is these errors that require a reversal of this action.

I

REGARDING THE EXHIBITS THAT WERE ADMITTED INTO EVIDENCE OVER OBJECTION.

1. Respondents argue that the financial Reports (Exhibits 3, 4, and 48) are admissible as summaries when the originals are voluminous (Resp. Br. p. 49), but ignores appellants’ contention that summaries may *not* be used (Op. Br. pp. 32-34) unless you first establish:

- a. That the original records are admissible.
- b. That the proffered documents are actually summaries of the original records.
- c. That the opposing side has had a reasonable opportunity to examine the original records.

Since none of the above was done in this cause, the “summaries” were not admissible.

2. Respondents concede that the Lindoteves-Jacoberg correspondence (Exhibits 8, 9, 10, 11, 13, 14 and 16) were not offered for the truth of what they said

(Resp. Br. p. 49) which is appellants' position (Op. Br. p. 36), and ignore appellants' further contention that since these documents are not in evidence for the truth of their contents, their contents may not be used for proof that:

a. Toshiba Model 4001 is an exact copy of plaintiff's Model 341E.

b. A dispute existed between plaintiff and Toshiba as to Toshiba's copying its Model 341E.

c. Plaintiff attempted to halt Toshiba's copying its Model 341E.

Thus, there is no evidence to establish respondents' basic premise as to what, if anything occurred between Aktiebolaget and Toshiba in 1963.

3. On pages 37-42 appellants set forth the legal and factual reasons why Exhibits 12a - 12h incl. and 44a (photographs) should not have been received into evidence. These errors are ignored. Instead respondents state (Resp. Br. p. 48):

“The basis for the admission of the 1963 photographs has been previously considered (*supra*, pp. 37-38).”

Pages 37-38 referred to contain the following language:

“The Court by comparing the photos and the adding machines that were admitted in evidence

could readily determine that the photographs were of the same model adding machines as were physically before the court.”

But this could be done only if the photographs were properly in evidence and it is not an answer to the charge that it was error to have received them in evidence. And although respondents mention the 1963 photographs, it ignores Exhibit 44a, the unidentified photograph enclosed in a letter dated after the law suit was commenced and which photograph was admitted into evidence only on the special representation of plaintiff's counsel that he will establish that the machine shown in Exhibit 44a is Model 4001 and that it is the same as Model 4011 (R. T. pp. 143-147; 157). This specific representation, however, was never established.

4. Appellants will not belabor respondents' argument that Exhibits 17, 14 and 43 were properly authenticated (Resp. Br. p. 50). Appellants position is that they were not. (Op. Br. pp. 40-42.)

However, what is of interest is what is stated in Respondents' Brief on Page 51 regarding Exhibit 43:

“Since the letter from Tokyo Electric Company was not offered for the truth of what was stated in it, but only to show receipt by Addo of what purported to be a photograph of the new model Toshiba Adding Machine, there was no hearsay problem with the letter.”

Since Exhibit 43 is not in evidence for the truth of its contents, appellants still do not understand how respondents can argue that the identification and description of the enclosure therein, (Ex. 44a) is not predicated on the truth of the contents of this letter.

5. On page 51 in referring to the letters received by Addo from its dealers, respondents state:

“Letters from Addo dealers showing their state of mind after receiving the notice from appellants that appellants were selling what was claimed to be an Addo licensed machine were admissible. (*Phillips v. Glazer*, 94 Cal. App. 2d, 673, 676, 211 P. 2d 37 (1949).”

These letters were not admissible (Op. Br. pp. 43-45), and *Phillips v. Glazer* refers to the state of mind of the witnesses on the stand, not of some third person, not present in court, and not subject to cross-examination.

POINT II

REGARDING THE EXTRAJUDICIAL STATEMENTS OF DEFENDANT.

Appellant discusses in Point III respondents argument to this point.

POINT III

REGARDING THE FRAUD OF THE DEFENDANTS.

1. On page 30 of its brief, respondents recite what it considered the items that establish the fraud of appellants and which respondents contend establishes

“ . . . that Toshiba had been engaged in the manufacture of a copy of Addo's Model 341E adding machine for several years prior to November 27th, 1964.” (Resp. Br. p. 30.)

Respondents list this evidence as follows (Resp. Br. p. 30):

- a. Appellants advertising material, Exhibits 49, 52 and 33.
- b. Extrajudicial admissions of Purer to Gunner Agrell and Gronhagan.
- c. Photographs. (Exhibits 12a-12h)

Appellants answer these assertions as follows:

a. Exhibits 49 and 52 do not contain the meaning that respondents impugn to it. This letter of September 30th, 1965 after referring to the general background of “TEC”, clearly states:

“ . . . the New ‘TEC’ Adding Machine is being introduced into the United States market . . . ”,

indicating that it is a recent product not an old machine.

Although Exhibit 33 refers to “over one million satisfied users,” it is conceded by all that this is not a correct statement, and grossly exaggerated (cf. Exhibit 35). Moreover, Exhibit 33 makes no mention of plaintiff’s machines or its patents.

Since the language in these exhibits is clear, unquestionably this court will render its own conclusion as to its meaning. But it is also interesting to note that although respondent emphasizes that Exhibit 52 was sent to most of Addo’s dealers, respondent produced no witnesses to testify that they understood Exhibit 52 to mean what respondent contends it means.

Ermolieff v. R.K.O. Radio Pictures, 1942, 19 C. 2d 543, 551, 122 P. 2d 3;

Body-Steffner Co. v. Flotill Products, 1944, 63 C. A. 2d 555, 559, 147 P. 2d 84;

Asso. Lathing etc. Co. v. Louis C. Dunn, Inc., 1955, 135 C. A. 2d 40, 47, 286 P. 2d 825.

b. On page 33 Respondents state:

“Appellants contend that the admissions or extrajudicial statements of Mr. Purer made to Mr. Agrell and Mr. Gronhagan are not admissible.”

Appellants of course made no such statement.

What appellants did state, and urge, is clearly set forth on page 49 of their brief:

“An analysis of the testimony of these two witnesses, however, does not indicate that Purer practiced any fraud upon plaintiff Aktiebolaget, for what these witnesses contend Purer stated to them does not rise to the dignity of evidence sufficient to sustain a finding. Substantial evidence is more than a [mere] scintilla and must do more than create a suspicion of the facts established.”

Appellant repeats that what these witnesses summarize Mr. Purer stated to them is not substantial evidence (Op. Br. pp. 46-51), and it is unfortunate that respondent did not discuss the meaning of what Purer is alleged to have said rather than its admissibility. As appellant pointed out in its brief, it is what Mr. Purer actually said, rather than the witnesses interpretation of what he said that can form the basis of whether the statement amounted to an admission.

c. As to the photographs, Exhibits 12a - 12h:

1. They should not have admitted into evidence (Op. Br. pp. 37-40)

2. The photographs do not show any similarity between the machines depicted and exhibits 6, 67 or 70 by mere inspection, and there was no evidence by any witness that there were any such similarities.

2. Without any reference to the record to support their claim, respondents state:

“The mechanism of the 4001, 4011 and 7001 are one and the same, a copy of the Addo 341E mechanism” (Resp. Br. p. 20)

While counsel for defendant stipulated that Model 4011 and 7001 are the same, it carries no proof that the mechanism in 4001 is the same as in 4011 and 7001; or that they are a copy of 341. Appellants repeat that respondents failed to produce any evidence to sustain this claim, nor indicate in its brief where such evidence exists.

3. Respondents argument that Purser did not have an adding machine that he designed when he wrote Exhibit 20 (Resp. Br. p. 22) and that Model 7001 was in existence long before he dispatched Exhibit 20 to Aktiebolaget (Resp. Br. pp. 30-31) is not supported by this record. Although respondents conducted extensive discovery proceedings including an examination of documents (Resp. Br. p. 6), they were unable to establish the sale of a single TEC 7001 adding machine or any model listed in Exhibit 52 prior to October, 1965 (Exhibit 66) or that these machines were in existence prior to June 1965 when it was displayed at the NOMDA Show (Exhibit 31).

The footnote in respondents' brief, p. 30, and the exhibits referred to, also will show that prior to June, 1965, appellants' machines did not exist.

4. Respondents' conclusion that the prototype referred to in Exhibit 20 was merely a redesigned Toshiba adding machine (Resp. Br. pp. 2, 22) also is without evidentiary support. Respondents seem to be aware that this contention is unsupported by the record for they insist that defendants must disprove the claim rather than plaintiffs sustain it, rejecting the basic legal requirement that the burden is on the party who asserts a claim or fact (Cal .Ev. Code, Secs. 500, 550).

For example in referring to Finding No. 43 respondents state (C.T. p. 724):

“If defendants wished to introduce their alleged prototype in evidence they could have done so. The burden was on defendants. (Plaintiffs were prepared to introduce evidence that the alleged prototype was no prototype but simply a Toshiba manufactured adding machine that had been disassembled and reassembled in this country. It did not constitute a prototype.)”

5. On pages 23 to 29 of its brief, respondent attempts to exculpate Gunner Agrell's conduct upon his receipt of Exhibits 20, 22 and 25. Again without going into the explanation of whether the picture on the letters should have or should not have been seen by Mr. Agrell, or whether it is unreasonable for Mr. Agrell to know the existence of a city in Japan because he is a resident of Sweden, the points which appellant raised and which are again ignored by respondent, are:

a. That under Section 19 of the California Civil Code, Gunner Agrell was charged as a matter of law with the knowledge of the contents of Exhibits 20, 22 and 25, at the time he received these exhibits including the photographs and the statement "NEW MODERN FACILITY IN OHITO" and that since he had never heard of Purer & Company before receiving Exhibit 20, and that as a result of receiving Exhibit 20 considered a contract that would sell more adding machines in the United States than his brother who had an exclusive contract with him, a prudent person would investigate with whom he was dealing and the source of the manufacture of the adding machine.

b. That when Purer & Company in a subsequent letter (Exhibit 22), asked Gunner Agrell to insert in the contract "or other manufacturer," which he did, he had knowledge that the adding machine would be made by one other than Purer, and again a prudent person would have inquired as to the source of manufacture.

c. That Gunner Agrell made no further inquiries as to the identity of Purer & Company, and the source of his manufacturer, because he was satisfied from the picture on the letters and the statements contained therein where the adding machines would be manufactured and by whom.

d. That in June of 1965, as the result of a conversation between Gunner Agrell and his brother George, they decided to cancel and terminate the agreement of April 1, 1965 despite the fact that at

that time, Gunner Agrell had not as yet determined whether there were any grounds for such cancellation. (Exhibit 40, Exhibit B.)

POINT IV

REGARDING THE QUESTION OF UNFAIR COMPETITION.

1. Respondent argues that appellants have misunderstood the nature of their claim for unfair competition. As respondent states:

“The gravamen of the claim of unfair competition in this case is that appellants were engaged in holding themselves out as possessing something they did not possess, i.e., that they possessed the good will of Addo, that they were the importers and sellers of an adding machine in some manner authorized or approved by Addo and that they were the holders of a patent license from Addo.” (Resp. Br. p. 40.)

Respondent also concedes that appellants were *not* palming off their machine as that of Addo’s (Resp. Br. p. 40).

Appellants’s position that there was no unfair competition is fully set forth on pp. 59-68 of their Opening Brief. Again without belaboring the point, three errors are apparent from Respondent’s Brief in support of their cause for unfair competition:

a. Addo's reputation is predicated on inadmissible records (Exhibits 3, 4 and 48; Resp. Br. pp. 39-40.)

b. The conclusion that Addo's dealers

“could readily ascertain that appellants infringing machine was so exact a copy of the Addo adding machine that they would be able to use the personnel trained in schools sponsored by Addo Machine Company and would be able to use the special tools and stocks of parts used in the servicing of Addo adding machines” (Resp. Br. p. 40)

is not the same as having these dealers come into court and so testify subject to cross-examination. (Federal Rules of Civil Procedure, Rule 43a.)

c. False advertising to constitute unfair competition also requires evidence that a purchaser relied on the false advertising to purchase defendant's product, believing it to be that of the plaintiff. (*Mosler Safe Co. v. Ely-Norris Safe Co.*, 1927, 273 U.S. 132, 47 S. Ct. 314; *Chamberlain v. Columbia Pictures Corp.*, 9th Cir., 1951, 186 F. 2d 923.) No such purchaser was produced.

In other words, the basic concept of unfair competition, namely that there must be evidence that the public was deceived, is not present in this cause.

2. Appellants respectfully disagree with respondents that “patent infringement in itself is unfair com-

petition'' (Resp. Br. p. 39.) It is not. (*Intricate Metal Products, Inc. v. Schneider*, 9th cir., 1963, 324 F. 2d 555, 561-563.)

Pursche v. Atlas Scraper & Engineering Co., 300 F. 2d 467, 483, 9th cir., 1962, cert. den. 371 U.S. 911, 83 S. Ct. 251, cited by respondent on page 38 of its Brief merely held that the use by defendant of plaintiffs's inventions after defendant terminated the license agreement constituted unfair competition sufficient to give the court jurisdiction to hear the cause of action for unfair competition (*Pursche v. Atlas Scraper and Engineering Co.*, *supra*, on p. 483.)

In *Upjohn Co. v. Schwartz*, 2nd cir. 1957, 246 F. 2d 254, cited by respondent on pp. 40-41 of their brief, the plaintiff produced druggists and pharmacists who testified in court as to the exact intentions of defendants, which is not the same as respondents speculating what their dealers had in mind when they read exhibit 52.

POINT V

REGARDING PLAINTIFFS' SECOND CAUSE OF ACTION FOR TRADE MARK INFRINGEMENT.

1. Appellants' contention that it was error on the part of the trial court to permit respondent to withdraw their cause of action for trade mark infringement is not answered by respondent. Respondents' position is that it may start a law suit and withdraw it if discovery reveals that it is without merit.

Appellants disagree. When a plaintiff commences a law suit, it represents to the court that there are good grounds to support the pleading (Fed. Rules Civ. Proc., Rule 11.) It was never intended, particularly in the Federal Courts, that causes of action may be commenced and dropped at whim. Plaintiff's second cause of action was not one arising out of the same set of facts as his other causes of action but entirely separate. Plaintiff sought treble damages for Trade Mark violation (C.T. p. 8) and the trial court on the basis of plaintiffs' affidavits made preliminary findings that defendants did infringe on plaintiffs' trade mark. (C.T. p. 247.) This Court should also note that plaintiffs did not request a dismissal of their second cause of action at the conclusion of discovery proceedings, but only after defendants made their motion to cancel plaintiffs' trade mark (C.T. p. 484; R.T. 12/12/66, p. 7).

2. It is respectfully submitted that there is no grounds to award attorney's fees to a party for resisting a motion for a new trial (Resp. Br. p. 69).

Sanford Research Co. v. Eberhard Faber Pen and Pencil Co., 7th Cir. 1967, 378 F. 2d 512, 517.

POINT VI

REGARDING THE CAUSE OF ACTION AS A PATENT INFRINGEMENT SUIT.

1. In support of its argument that this was a patent infringement suit, respondents on page 44 makes this curious statement:

“Appellants final contention is that this was not a suit for patent infringement but merely a suit for rescission of a contract. *This ignores the judgment that was rendered.*” (Italics added)

Again without belaboring the point, it is respectfully submitted the issue before the court for trial and determination was not patent infringement but whether Purer obtained the contract of April 1, 1965 by fraud. This was so understood by both appellants and respondents for respondents clearly state on page 21 of their brief:

“However, because appellants admitted during the course of discovery and pre trial, the validity of the patents and their infringement by appellants, the only issue remaining for trial regarding

the patents was whether appellants had obtained the patent license by such fraudulent means as justified Addo's rescission. *Whether the properly admitted evidence established appellant's fraud is the basic question presented by this appeal.*" (Italics Respondent's)

That a judgment was entered for patent infringement doesn't convert a fraud suit into a patent infringement suit.

Although respondents repeatedly state in their brief that appellants admitted the validity of Addo's patents and that they infringed, (Resp. Br. pp. 6, 21, 44, 45) the fact is that they didn't. Admission No. 4 clearly states (C. T. p. 536):

"4. The validity of the aforesaid patents is not contested by defendants in this action."

which is not the same as saying that defendants admitted to the validity of plaintiff's patents.

3. While it is true, as respondents state on p. 46 of their brief, that the trial court found that it was an exceptional case entitling plaintiffs to an award of attorney's fees and expenses, respondents fail to state the evidence that makes it exceptional. A statement (Resp. Br. p. 46):

"The conclusion that appellants were guilty of bad faith and inequitable conduct was fully justified by the evidence before the trial court"

is meaningless unless the respondent is willing to locate this evidence in the record. Appellants repeat, there is no such evidence.

CONCLUSION

That the evidence does not support the findings is fully set forth in Exhibit B of Appellants' Opening Brief and need not be repeated.

For the reasons set forth hereinabove and in the Opening Brief, the judgment should be reversed.

Respectfully submitted,

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and

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CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing briefs are in full compliance with those rules.

JOSEPH W. FAIRFIELD,
ETHELYN F. BLACK,
ALFRED W. OMANSKY.

Appendix

APPENDIX C

CALIFORNIA EVIDENCE CODE

§ 500. **Party who has the burden of proof.** Except as otherwise provided by law, a party has the burden of proof as to each fact the existence or nonexistence of which is essential to the claim for relief or defense that he is asserting. (Stats.1965, c. 299, §500.)

§ 550. **Party who has the burden of producing evidence.** (a) The burden of producing evidence as to a particular fact is on the party against whom a finding on that fact would be required in the absence of further evidence.

(b) The burden of producing evidence as to a particular fact is initially on the party with the burden of proof as to that fact. (Stats. 1965, c. 299, §550.)

